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In respect of some of the problems indicated in the foregoing pages, action has already been initiated. However, as pointed out specifically in several instances, greater

emphasis may be given, so effecting further co-ordination of the unceasing efforts of the firm to improve the quality of services to a varied clientele.

## How May We Improve the Quality of Our Service to Clients?

By J. M. PALEN

AS this is a personal service organization, the first way to improve the quality of the service is to improve the quality of the staff.

Unfortunately, the service which accountants render is to a large degree seasonal. This means that around the first of each year a great many new men must be employed. While generally these men are capable, it sometimes happens that in the rush of work an untried man is sent out in charge of an engagement, who, without supervision, is not capable of performing a real audit.

While not entirely preventable, this occurrence might be less frequent if new men were subjected to a more comprehensive oral questioning on the subject of auditing, by someone of tact and broad accounting experience.

After assigning the accountant in charge the principal should not consider his contact with the engagement finished. Clients employ Haskins & Sells because of the reputation which various members of the firm have established. The client is not always able to appreciate the high-grade work of the staff man, but receives a favorable impression if a principal comes to his office during the progress of the work and evinces some knowledge of his affairs.

This visit may, in fact, greatly facilitate the work through the special opportunity for obtaining information. The principal meets the important members of the client's organization, whereas the staff man frequently has difficulty in getting in touch with any but subordinates. Through discussion with the heads of the concern the principal may learn of special uses to which

the report is to be put; whether the previous report was satisfactory, and if not, why not; also whether there are any special matters to be covered. It may even be found that no report is necessary other than an oral one or a letter to the effect that the accounts have been found to be correct. The discussion may bring out that certain work which the client has asked to be done is in reality unnecessary. If so, real good-will may be created by telling the client the facts.

Frequently the discussion may be drawn to taxes, system, or other special features, resulting in an extension of the service.

In connection with the actual field work many methods of improvement suggest themselves.

In the first place, although there is no question that a man who has performed a particular audit several years in succession can usually do the work more expeditiously than anyone else, there is question as to whether his audit is as good as a new man's would be. He gets stale; he fails to give proper consideration to changing conditions; the office staff learns his methods and how to evade them. A new man may take more time but he brings a fresh viewpoint and adds the element of surprise.

The accountant himself, by taking thought, may constantly improve the quality of his service.

Instead of plunging into the detail work immediately upon his arrival he may well spend the first few hours in drawing up a rough balance sheet and income statement, studying the system, or perhaps even going through the plant to find out how the business functions.

Copies of statistics compiled by the client, such as trial balances of accounts receivable and payable, securities, etc., may be utilized with some saving of labor.

In a manufacturing or trading concern one of the most important features of the audit is verification of the inventory. It is the asset most easily overstated or understated, either by design or through mistake. Instead of being content with verifying the prices and computations and applying the usual gross profit, turnover, and other tests, the accountant should make some attempt to determine that the quantities shown are on hand and owned by the concern and that they represent usable goods. Inventory certificates may be taken. Certain items may be tested by actual count. In a business permitting many returns special care should be taken to determine that returned merchandise included in the inventory has been credited to customers.

Frequently sufficient attention is not given to the customers' accounts. The accountant should be able to express an opinion of his own regarding the collectibility of the accounts receivable.

An erroneous assumption is sometimes made that because a member of the firm or an officer of the company has certain features of the business directly under his control, it is not necessary for the accountant to investigate them. This is particularly applicable to brokerage houses, where one member may have the duty of seeing that all accounts are properly margined. There is no assurance, however, that he is carrying out this duty properly, and it is incumbent upon the accountant to see that the accounts are in order, regardless of who keeps them.

Helpful suggestions may often be made to the office staff, and if made in a friendly spirit often result in cooperation which greatly facilitates the work.

The accountant should be informed on the matter of taxes and may save the client money thereby. In this connection,

he should always recognize opportunities for bringing in a principal where there are important features or possible new work to be discussed.

The report is the tangible evidence of the accountant's work. In its preparation he should use to best advantage his particular function of interpreting for the owners or managers of the business the figures which their employees have compiled.

When we consider how much work is attached to an audit and what an amazing number of things may be read from the figures thus verified, it is disappointing to see how little of value is put before the client.

In probably ninety per cent. of our reports which contain a statement of income and profit and loss, that statement would have much more practical value if it showed not only comparisons with a previous period, but the ratio of each item of expense to the cost of goods sold and comparison of the ratios with the corresponding ratios for a preceding period. Such a statement would have six money columns instead of three, as at present.

The comments may contain very practical advice where the statements indicate inefficient use of capital in any of its forms.

If the client carries an unnecessary amount of cash in the checking account, a suggestion may be made that excess funds be carried on special deposit at a higher rate of interest, or that they be invested in high-grade, readily marketable securities.

An excessive investment in merchandise or receivables may be tactfully brought out, perhaps through ratios and comparisons thereof with prior periods or with ratios obtaining in similar businesses. Besides the published information of this kind, the accountant has access, through an index in the file room, to the firm's own reports on similar industries.

Comparisons with similar industries may of course be made with respect to income and expense as well as balance sheet items.

Some firms use graphs to bring out forcefully trends over a period of years. Are there not instances where Haskins & Sells might use graphs to advantage?

In connection with the condition of the accounts receivable it may be pertinent to criticize the credit and collection methods.

Mention may be made of purchase and sales commitments where, after all factors have been considered, they appear to be out of proportion to each other. The accountant should be very sure of his ground, however, before he puts his comment in the form of a criticism.

Lack of proper physical control over merchandise has caused heavy losses, and clients are always interested in suggestions leading to a better control.

A deficiency or excess of insurance carried is likewise a matter of practical interest.

Occasionally we find a concern so conservative that it cripples its business rather than borrow. Our advice to it to negotiate bank loans or obtain new capital may be wasted, but if tactfully offered it may be graciously accepted.

The use of trade acceptances is not even yet nearly so general in this country as abroad, and we ought, wherever appropriate, to explain their advantages to clients.

There are many other subjects for comment which will suggest themselves in various circumstances. The accountant who tries to put himself in the client's place will know what is practical and appropriate in each instance. He should study the business as a whole and remember that the keeping and auditing of accounts is only a means to the universal object of making profits. With this in mind he will try to give the client what he wants, provided no ethical principle is violated.

Service to the public in general could be improved if special attention were given to reports for credit purposes. Such reports ought to answer the questions on which banks reasonably expect accountants to be informed. The form might deviate considerably from what we regularly use. There is, of course, the necessity for pleasing the client in this matter, but where his consent is obtained it appears that much could be done.

Probably the one thing which would do most to improve the quality of accountant's services in general would be the general adoption by business concerns of a natural business year. Its advantages are known to all accountants. It therefore behooves us to recommend its adoption to all who might advantageously use it.

## How May We Improve the Quality of Our Service to Clients?

By E. L. KINCAID

**F**IRST we must decide what "our service to clients" comprehends. In other words we shall try and state in general terms what we, as accountants, mean by this clause.

In brief, we mean that each engagement must be so executed that the service rendered to the client and the public will be the result of the highest quality of professional training in accountancy and practical field accounting experience, at the

same time bringing the engagement to a timely completion.

You will note that the definition is composed of two parts, both equally essential for the advancement of the profession. However, the latter part of the definition will always follow as a natural result if we, as accountants, successfully fulfill our obligations as called for by the first part of the definition, namely, "Each engagement must be so executed that the service ren-